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# Allegations Imperil Nomination of Envoy to Ireland

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The nomination of President Reagan's choice for ambassador to Ireland, New Jersey insurance executive William E. McCann, is in serious trouble because of allegations of improper business practices and his close ties with a convicted stock fraud and insurance swindler.

McCann, the second-largest fund-raiser in New Jersey for the Reagan campaign, was sponsored for the post by William J. Casey, now the CIA director, and Reagan national finance chairman Daniel Terra, now an assistant secretary of state. Reagan introduced McCann as his designated ambassador at a lunch at the Irish Embassy on St. Patrick's Day.

But the nomination has not made it back to the White House; it has been held up for four months by the State Department, longer than any other Reagan appointment.

The apparent reason for the delay in McCann's case is that State Department security officials have been unable to complete the background report. Normally, the security check takes four to six weeks.

"I think the reason it has taken so long is that they're trying to verify or run down the allegations," said White House personnel director E. Pendleton James. "I would hope they're doing that."

Other high White House officials confirmed that the investigation into McCann's past was the reason for the delay. At the Senate Foreign Relations Committee, one staffer said that the long delay in receiving McCann's nomination "has become a touchy subject around here."

It is also a touchy subject at the White House, which under its procedures cannot even submit a formal statement to the Senate that it in-

tends to nominate McCann until it receives a security approval from the State Department. But McCann has been behaving very much like an ambassador, attending functions at the Irish Embassy, including one this week where Loyal Davis, father of First Lady Nancy Reagan, received an honorary fellowship from Ireland's Royal College of Surgeons.

McCann served as national chairman of the Reagan-Bush Pioneers, a fund-raising group. With the backing of Casey and Terra, he won out as nominee for the ambassadorship over two other formidable candidates, one sponsored by premier New Jersey fund-raiser Raymond J. Donovan, who was so highly regarded by Reagan he was appointed secretary of labor. The other candidate was backed by Sen. Mark O. Hatfield (R-Ore.) plus a number of longtime western Reagan supporters.

McCann's problems are twofold. First, his firm, Foundation Life Insurance Co. of Chatham, N.J., is under investigation by New York state insurance officials for allegedly selling insurance without a license to a New York local of the Teamsters union.

Secondly, questions have been raised about McCann's close business relationship over a decade with Louis C. Ostrer, a former insurance entrepreneur who has been convicted of stock fraud, embezzlement, grand larceny and income tax evasion. He is alleged to have high labor-organized crime contacts, including New York reputed labor racketeer Johnny (Johnny Dio) Duoguardi.

A New York insurance official said yesterday that McCann has refused to testify on allegations that his company sold insurance through a front company to Teamsters Local 918 in Brooklyn.

McCann was unavailable for comment yesterday, but he has steadfastly denied any wrongdoing.

Until recently, the White House hasn't paid too much attention to the delay, partly because of the backlog of ambassadorial appointments.

But concern rose in some quarters after the embarrassing resignation of CIA clandestine service chief Max Hugel earlier this week. Hugel, who was accused of improper or illegal stock practices, was the personal choice of CIA Director Casey, who had strongly defended him in a letter to the president.

Casey's role in the McCann appointment is less clear, but Reagan officials who worked with McCann in raising funds for the campaign said yesterday that the original suggestion for his appointment came from Casey. One of these officials said that Casey "strongly pushed" the appointment; another said that Casey only made the suggestion, as he did with many fund-raisers, and that the push had come from Terra.

In interviews in recent months, McCann has characterized Casey as a close friend and his chief benefactor.

McCann was described by someone who knew him well in the campaign as "a person always willing to help and a terrific fund-raiser." In any administration it is not unusual for such fund-raisers to be rewarded with ambassadorships.

What is unusual in this case is that McCann prevailed over the choice of Donovan, who is credited in the Reagan camp with carrying the state.

New York insurance investigators are preparing to subpoena McCann and other representatives of his company to force them to produce records and testimony. If eventually confirmed by the Senate, this could put McCann in the position of having to avoid diplomatic functions in New York to avoid a subpoena.

McCann has acknowledged that 30 to 40 percent of his company's insurance business was delivered under a special arrangement with Ostrer to whom he referred in court